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SIPDIS

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SUBJECT: SCENESETTER FOR PACIFIC FLEET COMMANDER ADM
WILLARD'S APRIL 6-10 VISIT TO JAPAN

Classified By: Acting Deputy Chief of Mission Ronald J. Post, reasons 1
.4(b) and (d).

¶1. (S) Summary: You will arrive in Japan amid continuing political turmoil and a worsening economic environment. Growing dissatisfaction with Prime Minister Aso's leadership, allegations of corruption at the highest levels of the main opposition party, dramatic contractions in the economy and its subsequent effect on Japanese workers all have an impact on Japan's foreign and security policy. In spite of this, the Aso administration has been successful in renewing Japan's commitment to Indian Ocean refueling operations, expanding its commitment to Afghan reconstruction, dispatching the JMSDF on an anti-piracy mission, and continuing to move forward on force realignment initiatives. End Summary.

Global Economic Problems, Domestic Political Turmoil

¶2. (S) The current top priority for Japan is implementing policies to strengthen the domestic economy during the current global economic downturn, measures that are slowed by a confused domestic political situation. Although Japanese banks and financial institutions had little sub-prime market exposure, the country's GDP fell 3.2 percent quarter-on-quarter due to a record drop in exports (down 50 percent year-on-year in February 2009). The economic outlook is gloomy with rising unemployment, continued drops in demand for Japanese exports, and falling domestic demand and business confidence. Companies such as Toyota and Sony are recording operating losses, paring non-regular employment rolls, and extending factory holidays.

¶3. (S) Fear about Japan's economic well-being, combined with its hamstrung political system, have exacerbated dissatisfaction with Prime Minister Taro Aso's leadership, resulting in a growing public sense that it may be time to turn over government to the opposition Democratic Party of Japan (DPJ). A recent financial scandal involving DPJ leader Ichiro Ozawa, however, has confused the political scene even more.

¶4. (S) Since taking office in September 2008, Aso's approval

ratings have plummeted to less than 15 percent. Following the arrest of a key aide on corruption charges, Ozawa's popularity has dropped to similarly low levels. A general election must be held no later than this fall. Recent polls suggest that neither party will receive sufficient votes to avoid the necessity of creating a weak coalition government. A larger scale realignment of political forces is expected to occur at some point thereafter.

Foreign Policy

15. (S) Japan's relations with its immediate neighbors are generally stable, but problems persist just under the surface. Japan and China have been successful in defusing, for the time being at least, the sharp conflicts over history that damaged relations in the Koizumi years. While Japanese acknowledge that good U.S.-China relations are in Japan's interest, they also fear that the United States will discount Japan's interests in pursuit of more robust relations with China. Japan has been sensitive to recent Chinese actions around the disputed Senkakus and has sought explicit U.S. reassurance on our commitment to aid Japan in the case of an attack on the islands. China has in turn been unhappy that the United States has reiterated our position that the Senkakus fall within the scope of the Security Treaty. On South Korea, although the Takeshima/Tokdo territorial dispute remains an irritant, both sides have expressed a desire to build a Japan-ROK relationship that is "different from the relationship up until now," including through high-level shuttle diplomacy. Prime Minister Aso and ROK President Lee

Myung-bak have struck up a particularly good personal relationship.

16. (S) Japan remains exceedingly uneasy over the situation in North Korea. The DPRK's nuclear program, the expected launch of a TD-2 missile in early April, and resolution of the cases of Japanese abducted by the DPRK are all high among Japan's foreign policy priorities. Japan remains firm in its refusal to provide energy assistance to the DPRK absent progress on the abductions issue. The DPRK's August 2008 pledge to open a reinvestigation into the abductions remains unfulfilled, in spite of a Japanese promise to reciprocate by partially easing its unilateral sanctions.

17. (S) Further afield, Japan has recently dispatched two destroyers to the Horn of Africa to protect Japanese cargo vessels from pirate attacks and is currently planning on sending two P-3Cs to assist in these efforts. By the end of March the Cabinet plans to submit to the Diet new legislation designed to authorize a more broad-based response to Somali piracy, enabling protection of non-Japanese vessels as well. In spite of this, Japan's ongoing deliberations contrast with China's relatively quick decision to dispatch ships to the region.

18. (S) Japan is seeking an expanded role in supporting Afghan/Pakistan stabilization. In December 2008, Japan passed legislation to extend by one year the refueling operation in support of Operation Enduring Freedom (OEF). In April, Japan will host a high-level Pakistan donor's conference. Japan is also working more closely with the PRTs and has assigned a full-time liaison officer to NATO's office in Kabul. Japan has also announced its intentions to second two officials from the Ministry of Foreign Affairs (MOFA) to the Lithuanian PRT in Chaghcharan. With \$1.4 billion pledged since 2002, Japan is the third highest bilateral contributor (behind the U.S. and UK) to Afghanistan. Moreover, Japan has included an additional \$300 million in its latest supplemental budget to support the 2009 Afghan elections and other security programs.

Security Policy

¶ 9. (S) While pacifism remains deeply ingrained in Japan, there is a new consensus among the public and opinion makers -- due in part to the DPRK threat and the PRC's growing power projection capabilities -- that the U.S.-Japan Alliance and U.S. bases in Japan are vital to Japan's national security and essential for preserving peace and stability throughout the region. For example, the main opposition DPJ, while taking issue with some of the details of our basing arrangements, maintains as a basic policy platform the centrality of the Alliance to Japan's security policy. Force transformation spelled out in the Defense Policy Review Initiative (DPRI) will help sustain Japanese public support for the Alliance and will strengthen our capabilities.

¶ 10. (S) Our bilateral security ties remain robust and were reaffirmed during the recent visit of Secretary Clinton when she signed the Guam International Agreement (GIA) on the realignment of U.S. Forces. This agreement, scheduled for Diet deliberations in April, will legally commit Japan to completing the relocation of Futenma Marine Corps Air Station on Okinawa and providing funds for USMC-related facilities on Guam. Japanese officials believe the agreement, and the allotment of over \$900 million in realignment funding during the next fiscal year, will buttress Japan's commitment to the May 1, 2006, Alliance Transformation Agreement even if there is a change in government here.

¶ 11. (S) Japan is also in the process of compiling its National Defense Program Guidelines (NDPG) and 5-year Mid-Term Defense Plan. These policy reviews offer the U.S. and chance to influence the future shape of Japan's defense posture. In addition to encouraging greater defense

spending, enhanced information security, and broader legal authority to the SDF, we are encouraging Japan to focus on deepening operational capabilities in ways that will enhance our Alliance's deterrent value. Officials and outside experts reviewing the NDPG are looking at specific missions where the SDF should concentrate its resources. Among the areas that have been identified in recent discussions with the Japanese side are long-range lift, ballistic missile defense (BMD), sustainment, maritime operations (ASW, Mine Countermeasures, MIO), ISR, and C4.

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